maize.

A JAKALA COMPANY

BLOOM PARTNERS

STATE OF INNOVATION

DEBUNKING INNOVATION TO UNVEIL WHAT'S AHEAD

TABLE OF CONTENTS

INTRO 3

THE METHODOLOGY 5

THE PANEL 6

WHO IS THE INNOVATION TEAM? 7

ARE OUR POCS GENUINE, OR ARE WE JUST FOLLOWING CORPORATE NORMS? 15

ARE WE USING THE APPROPRIATE CRITERIA TO GAUGE INNOVATION INITIATIVES? 23

IS CORPORATE INNOVATION SUSTAINABLE? 33

EXTRA: THE SHAPE OF WATER 40

THE ELEPHANT IN THE ROOM: MORE INTELLIGENT MACHINES 42

A NEW HYPOTHESIS FOR CORPORATE INNOVATION 43

OLD INNOVATION IN ANEW SCENARIO 44

THE DILEMMA OF TRADITIONAL INNOVATION 47

LOOKING FORWARD 49

THE BIG PICTURE 52

INTRO

The joint research team, **MAIZE (IT), Bloom Partners (DE), and Made by Many (UK)** combines a decade-long journey (MAIZE's roots in H-FARM to the current position within Jakala) with the unparalleled perspective of two top-notch design boutiques (Bloom Partners and Made by Many). All three have been helping companies evolve, transform, and innovate: **corporate innovation** is one of the areas where we strongly support our clients and continuously conduct meaningful conversations about their innovation initiatives.

Healthy companies constantly rethink and adapt their global strategies and consolidate their efforts. This is even more true when it comes to innovation: investments in innovation, open innovation, and acceleration programs in companies have been going on for several years now, but the efforts to make **innovation** an integrated, "permanent" process that's part of the everyday business and upon which companies can build sustainable growth, is in most companies **still not linear**, and definitely not completed.

Furthermore, the complex *occurrences* of recent years — COVID, the constant state of war, the awareness that we need to change our lifestyle if we want to leave a planet to our children, the emergence of transformative technologies such as generativeAI, etc. — have brought deep changes in our lives and a disruption of traditional economic paradigms.

Companies are in the midst of adjusting their foundations, doing budget cuts, and introducing technological changes; we perceive a strong sense of doubt, perplexity, discomfort, fatigue, and frustration in our partners, the innovation owners. We felt the need to pull the brake, take a step back, and **ask ourselves and our clients some of the basic questions about** why **innovation** is happening, what it is for, and how it should be done, in order to help everyone — us and them — to rethink the **foundations**.

A few companies and their innovation teams have found bespoke innovation models and reached a level of maturity in their innovation activities producing highly valued and valuable inputs for the business and the whole company: being ahead of the curve, intercepting and adopting new solutions and technologies before anyone else in the company and the sector, envisioning new services that change the paradigms of what their company is doing, launching new ventures that will represent an important share of their company's revenues in 5-10 years, and so on.

However, we found that the vast **majority of innovation teams has not yet reached that sweet spot** and is still fighting to find the best way to create value for their companies, experimenting and adjusting organizational models, ways of collaboration, goals and objectives, access to resources and budgets, effective methodologies to test ideas and measure results. While some of the addressees of this report may be partially in the first group, most likely at least for part of what they do, they might be asking themselves some of the same basic questions, wondering how their peers are answering them and what can be learned from them.

We asked ourselves and the surveyed people from the partner companies some basic and sometimes even obvious questions — sometimes getting obvious answers — about the whys and hows, but we felt the need to challenge ourselves and our clients and **rethink what innovation is meant to do and if it has effectively proved effective so far**.

This is how the *2024 State of Innovation* is born: we collected first-hand insights from our community of corporate leaders, **talking with 50+ innovation leaders** across Europe, about why and how they do innovation, what works and what doesn't and what — more broadly — keeps them up at night. Overall, our conversations took the shape of four larger topics, or better said **four foundational questions**, that we discussed with our clients. Each of the following sections tackles one of these four questions.

METHODOLOGY

The research was conducted by a mixed team of the three strategic design firms (MAIZE, Bloom Partner, Made by Many) and included three main phases:

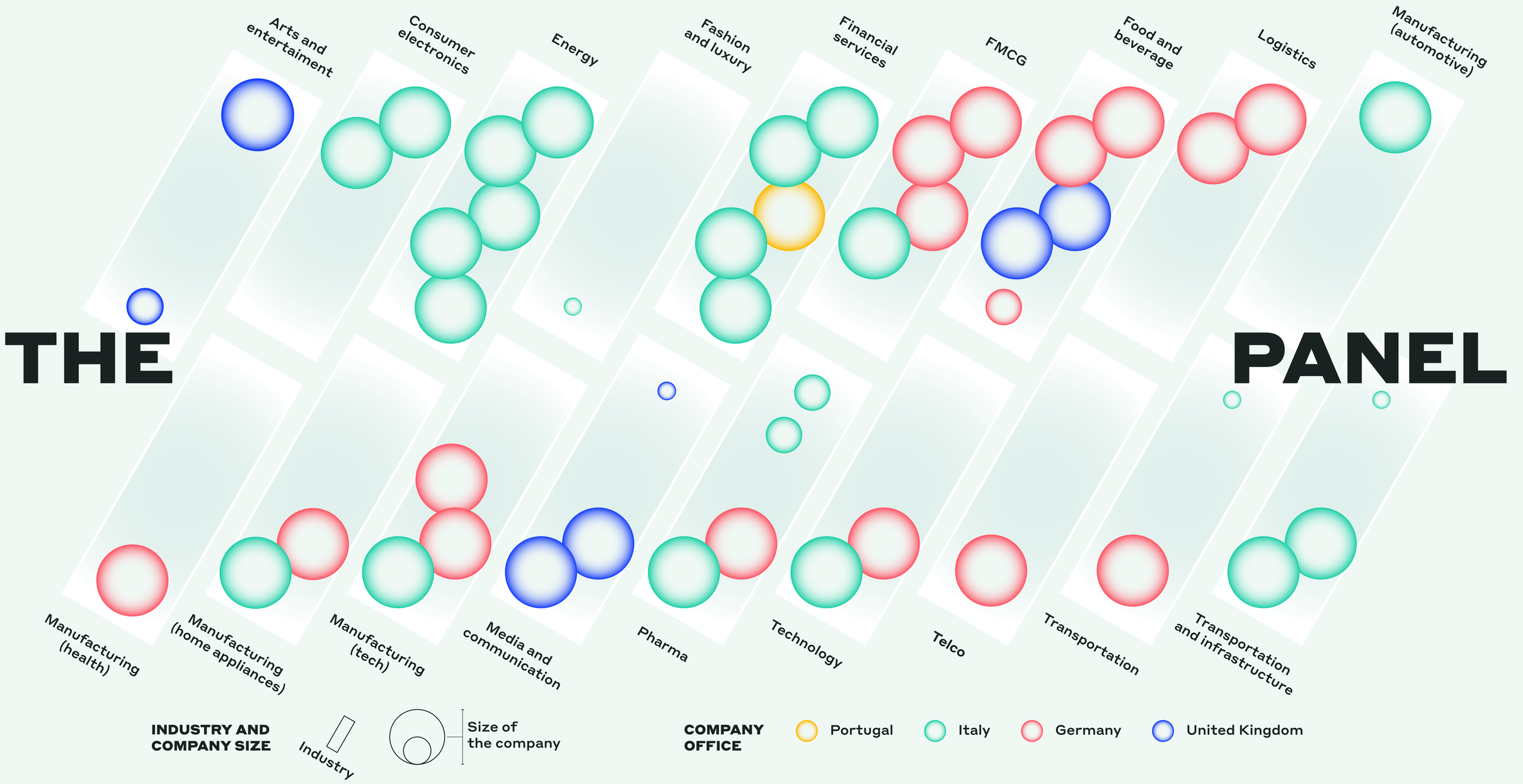
- **INTERVIEWS**
  we ran 50+ one-to-one qualitative interviews with resources responsible for the innovation activities of **medium-big European companies cross-industry**. Depending on the size and structure of the organization, the interviewee could fill roles such as Chief Innovation Officer, Chief Strategy Officer, or Chief Technology Officer. In the interviews, we studied their perspectives and experiences that paint a vivid picture of the evolving role of innovation in the business world.

- **ANALYSIS**
  we reviewed the information collected, connected the dots, and made sense of them, transforming it into market insights.

- **CONCLUSIONS**
  we enriched the market insights with our knowledge of the world of innovation, coming up with the four foundational questions below.

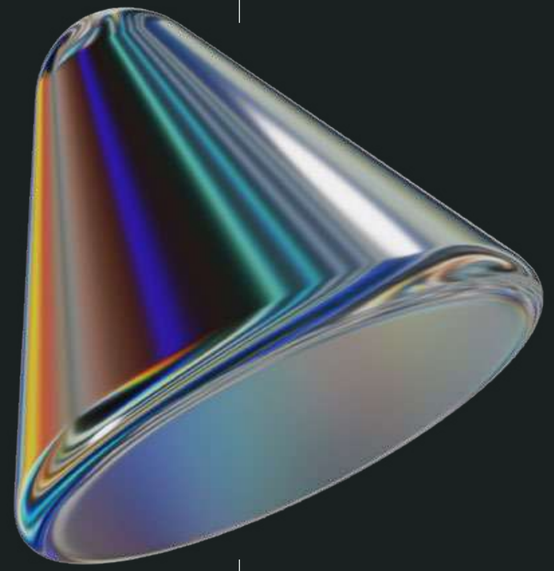
Before proceeding it is important to make a clarification on the type of corporate innovation we refer to. We are not focusing on venture building, investments, or other forms of M&A, but rather innovation functions that operate as entities within companies whose core business is not tech or digital. We make a clear distinction between R&D, whose mission is to evolve products or develop new ones, and innovation, whose overall mission is to explore and develop opportunities using new technologies and digital platforms.

THE PANEL


Arts and entertaiment
Consumer electronics
Energy
Fashion and luxury
Financial services
FMCG
Food and beverage
Logistics
Manufacturing (automotive)
Manufacturing (health)
Manufacturing (home appliances)
Manufacturing (tech)
Media and communication
Pharma
Technology
Telco
Transportation
Transportation and infrastructure
INDUSTRY AND COMPANY SIZE
Industry
Size of the company
COMPANY OFFICE
Portugal
Italy
Germany
United Kingdom

1

WHO IS THE INNOVATION TEAM?



1

IN A NUTSHELL

A successful **innovation strategy** is built on a **sustainable framework tailored** to the unique context, resources, and strategic objectives of the company. Innovation leaders must clearly address core questions defining their mission and the resources required. By **collaborating closely with every area of the organization**, they can seamlessly **weave innovation into the overall corporate strategy**. This ensures the innovation team's agility in adapting to changes and challenges, positioning it as a key partner in advancing the company's innovation agenda.

RESEARCH INSIGHTS

WHAT HAVE WE GATHERED FROM OUR CONVERSATIONS?

1

“I TRY TO PRIORITIZE BUT THERE’S SO MUCH DAY TO DAY WE GET PULLED INTO. I’VE DONE SO MANY ROADMAPS.”

Innovation teams face challenges in balancing **multiple objectives** on their agenda, including both incremental and experimental long-term innovation, as well as culture-related activities. **Prioritization is difficult** due to daily demands and lack of clear focus.

2

There is often significant **seniority separation between innovation** teams **and top management**, leading to challenges in securing resources and support for innovation initiatives.

3

“YOU MIGHT HIT THE TARGET BUT MISS THE POINT.”

Experimental long-term innovation is frequently deprioritized due to factors like lack of method, clear milestones, and budget constraints, exacerbated by pressure for immediate results from upper management (we will explore more on this topic in Chapter 3).

4

“THE ROLE OF THE INNOVATION TEAM HIGHLY DEPENDS ON THE ORGANIZATION’S MATURITY. SOMETIMES THE INNOVATION LEADERS DON’T SPEND ENOUGH TIME SPEAKING WITH THE OTHER DEPARTMENTS BEFORE LAUNCHING PROJECTS.”

Collaboration with other departments is crucial for innovation teams, but they often face obstacles due to competing priorities and a lack of incentives for participation. Structured companies invest in developing engagement models to foster trust and reputation with business units and cultivate a culture of innovation.

5

“WE DEFINE A BUDGET FOR INNOVATION PROJECTS WITHOUT TAKING INTO CONSIDERATION THE FULL PATH TO COMPLETION.”

Innovation team **budgets** typically cover projects **until the Proof of Concept** (PoC) phase, necessitating additional funding sources thereafter.

6

The most mature companies are exploring **spin-off teams** focused **on long-term innovation or venture building**, aiming to transform them into profit centers or service providers for parent companies’ business units.

OUR POINT OF VIEW

Innovation is complex and frequently discussed in boardrooms, yet **defining** it remains **challenging**. Our research and experience reveal that the scope for innovation is narrow, blurring lines between digital transformation, R&D, and the involvement of other arms such as HR, Strategy, and Sustainability at various degrees. This lack of clarity translates into different innovation model setups. Should the innovation team drive digital transformation assisting the business units with new technologies, or explore new growth opportunities and business models? Often, the answer is unclear, suggesting that innovation leaders might need to encompass all these roles.

In other words, there is a **general inconsistency in the role of innovation** teams within organizations. Aiming at building a well-balanced innovation roadmap that satisfies both leaders and teams, innovation **leaders should address the following core dimensions**.

1 — SHORT VERSUS LONG TERM INNOVATION

Ideally, **innovation teams** should balance **immediate business needs** through incremental and adjacent innovation **with the pursuit of long-term, radical innovation**.
This dual capability defines the “ambidextrous organizations”[1] that Charles A. O’Reilly III and Michael L. Tushman describe.

From our experience, this balance **often leans toward short-term gains**, in line with leadership goals that favor quick financial returns.
On the contrary, **long-term** innovation projects face the challenge of being fraught with uncertainty and **hard-to-measure** outcomes. They demand significant investment and a departure from conventional project approaches. Many companies answer this challenge by adopting **trend radars** or industry observatories, hoping to ignite major innovation. Unfortunately, without a solid strategy, these insights rarely lead to groundbreaking innovation because target stakeholders fail to translate them into their activities.

1 HBR article “The Ambidextrous Organization” by Charles A. O’Reilly III and Michael L. Tushman”

2 — THE ROOM FOR INNOVATION

A common **challenge** for many companies is fostering **cooperation between the innovation team and other business units (BUs)**, primarily because these units often lack incentives to participate in innovation projects. Their focus on immediate business goals and day-to-day activities makes them perceive innovation projects as additional tasks.

Even if the collaboration between the innovation team and other BUs is crucial, innovation leaders frequently face the difficulty of engaging them not only to identify needs, but also to own and drive innovation projects. On the other hand, **business leaders fear that their efforts might be wasted if innovation initiatives are stopped prematurely**, undermining the innovation team’s influence and effectiveness.

The **most mature companies** in terms of innovation are **experimenting with creating spin-off teams** focused on specific areas like long-term innovation or venture building. These teams, operating as independent entities, may evolve to serve their parent units as service

providers, aiming to become profit centers. This structure can offer the innovation team greater **agility and autonomy** in exploring new areas, **though it doesn't fully address the challenge of engaging business units**.

In other words, innovation leaders should ask themselves: how can **organizations overcome the barriers to collaboration between innovation teams and business units**, ensuring sustained engagement and maximizing the impact of innovation initiatives?

3 — TRUST AND CULTURE

Cultivating an **innovation culture** is not merely an additional task for innovation teams; it's a fundamental **necessity for their success**. Innovation leaders must balance a challenging act: they need to ensure that innovation efforts, which typically yield medium-term results, align with the company's strategic goals and expectations, frequently short-term in nature.

Too often, **promising experiments and projects are abandoned prematurely due to shifts in operational resources**, changes in leadership, reallocated budgets, hesitancy, or demands for immediate financial results. To navigate these challenges, innovation leaders must focus on two critical areas:

- **BUILDING TRUST WITH UPPER MANAGEMENT**
  Leaders need to secure support from sponsors within upper management able to provide them with the necessary resources, foster an open mindset, and set realistic expectations for outcomes.

- **ENGAGING WITH THE ORGANIZATION**
  The most effective innovation teams do more than just launch initiatives; they empower their members to connect with company leaders and business units. They excel in understanding the priorities of different departments, speaking their language, and weaving these insights into the broader innovation strategy. This approach allows them to integrate seamlessly with the businesses, spreading a shared culture of innovation.

A GLIMPSE FROM THE MARKET

At the end of 2021 **DB Schenker**, the logistics service provider of the German rail operator Deutsche Bahn, **launched "Schenker Ventures"**[2], a **new venture capital and startup division**. Even if the approach is not new, DB Schenker was one of the pioneers in the logistics industry. Schenker Ventures benefited from the leading positioning and assets of DB, which built a reputation on quality and innovation.

The new unit operates in **two main areas: Venture Capital and Venture Studio**, and aims at making DB Schenker become the number one driver for innovations within the logistics and supply chain industry in Europe, as per CEO Jochen Thewes. The Venture Capital unit enables early-stage investments in cutting-edge companies aiming to change the logistics and supply chain sector; while Venture Studio gives founders the chance to refine their entrepreneurial ideas and get access to talents, capital, and resources to make them real.

Schenker Ventures is a best-in-class case of corporate innovation because it **answers to all the core dimensions described above**. On one hand, it **aligns with the DB Group's strategic objectives**. For instance, one of DB's short-term strategic goals is boosting digitization, and Schenker Ventures, only a few months after its launch, invested in Warehousing1, a Berlin-based e-commerce fulfillment platform provider. On the other, Schenker Ventures allows the Group to **explore, build, invest, and partner with futuristic realities** such as Gideon Brothers, a leading company of Next Generation of Autonomous Mobile Robots, part of the current portfolio.

One of the biggest strengths of Schenker Ventures is its **network**, which allows it to create **win-win situations and synergies for all the stakeholders** involved. The portfolio companies take advantage of DB Schenker suppliers, partners, and customers, as well

2 The global blog of DB Schenker "DB Schenker launches "Schenker Ventures""

as direct connections to top-tier investors, while Venture Studio's founders have the ownership and complete control of the new company and, at the same time, can rely on and profit from DB Schenker. On the contrary, Schenker Ventures benefits from the network and expertise of the new companies and builds competitive advantages both in the short and the long term.

MUCH MORE THAN TESTING IDEAS

The collaboration with Schenker Venture Studio starts with ideation: founders can either bring their own idea or be matched with an idea from the Studio's idea backlog. The next step is to validate the product-market fit. If successful, the team will receive pre-seed funding and support in building a minimum viable product and finding initial paying customers. The Studio goes even one step further by hiring employees and setting up operations, while founders focus on building their business.

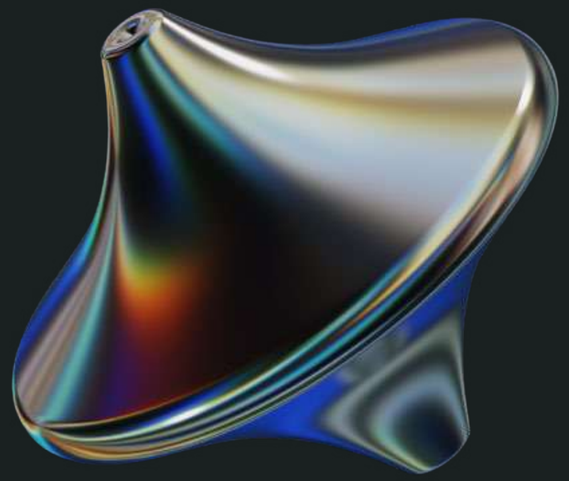
THE GIST OF IT

For effective innovation, **companies require a structured framework that directs their innovation strategy**. We refer to this framework as the “Innovation Engine.” It encompasses essential elements such as pinpointing priority areas, **dedicating adequate time, budget, and resources for achieving objectives, and establishing clear criteria for progressing or discontinuing projects**. This approach operates through interconnected “gears,” each vital for a realistic and sustainable innovation process. For example, if an innovation team’s mission is to explore technologies for new business models, the required investment in time and resources will differ from a team focused on incremental improvements. Similarly, if a team’s resources are fixed, the type of innovation projects undertaken must reflect these constraints.

The innovation team must define its identity and mission in alignment with the company’s strategic goals and business requirements. To avoid an endless innovation roadmap that mixes long-term and short-term projects, expected to deliver every quarter, innovation leaders need a foundational moment that should be repeated every 2-3 years. This moment allows them to be clear about their needs in terms of resources, skills, and internal collaborations necessary for success. While there is no one-size-fits-all recipe for innovation, **a team built on strong foundations can swiftly adapt to changing contexts, making it an ideal business partner within its company**.

2

ARE OUR POCs GENUINE, OR ARE WE JUST FOLLOWING CORPORATE NORMS?



2

IN A NUTSHELL

Companies have recognized the value of proof of concept (PoC) as a tool to assess the impact of a new technology, product, or service on their business. However, implementing a PoC logic in a large organization requires a balance between the agility to execute the PoC and the corporate structure in which it must be done. The result is that for many organizations, this balance limits the value of the PoC and thus their de-risking objective.

RESEARCH INSIGHTS

WHAT HAVE WE GATHERED FROM OUR CONVERSATIONS?

1

“THE POC IS CONSIDERED SOMETHING YOU DO ON A FRIDAY AFTERNOON.”

Many interviewees pointed out **a sad lack of focus, contributing to low expectations and therefore low interest from decision-makers**. Some companies have changed their approach to PoCs to overcome the problem and decided to focus on a small number of PoCs per year, investing significant budgets in these few.

2

“AS INNOVATION TEAM WE ALSO SUPPORT THE BUSINESS UNIT TO SHUT DOWN COLLABORATIONS WITH EXTERNAL PLAYER AS SOON AS THE POC IS NOT PROVIDING THE EXPECTED RESULTS”

Just a few companies have a structure in place that enables the business unit to **stop a PoC initiative at any time, if it no longer sees fit to strategy or the business value**. The business unit has the innovation team as support also for closing the relationship with startups.

3

Only a few of the interviewed companies have purpose-built governance models that allow people to propose and then work on PoCs. It is a clear process that guarantees speed of decision and action. For example, one of the interviewed companies has a structured process for investments of up to €50k per PoC, where all activities are managed internally by the innovation team and there is no need to involve other stakeholders in the decision-making process.

4

A lot of companies interviewed are still challenged to test things through PoCs, **lacking internal credibility and the right culture of experimentation**.

5

“SEARCHING FOR A SPONSOR EVERY TIME IS A TIME-CONSUMING ACTIVITY, WE SHOULD FIND A REPEATABLE PROCESS RATHER THAN STARTING AGAIN EVERY TIME.”

Several companies highlighted **the importance of identifying a sponsor for each innovation project**, especially in the transition between PoC and production.

6

“SOMETIMES WE DECIDE TO CONTINUE THE INITIATIVE WITHOUT MEASURING THE RESULTS OF THE POC.”

7

“WE RUN 1-2 POCS A YEAR AND WE ALREADY KNOW THEY WILL MOVE AHEAD, SINCE THE POCS HAVE A STRONG INTERNAL SPONSOR.”

Companies don’t really do PoCs, the goal is already clear, they follow the idea of “working like a start-up” but they don’t really do it (very few companies work with a portfolio logic).

8

There is no culture of risk-taking, people are afraid of getting burned and the leadership structure is not designed to support this attitude.

OUR POINT OF VIEW

Traditional approaches to the launch of new business ideas are often slow, inefficient, and high risk, especially when there is a need to evaluate and implement innovative solutions; for this reason, companies are experimenting with “new” methodologies such as PoCs, borrowed from the startup world.

By PoC we mean one of the first activities one can undertake to demonstrate the feasibility of a particular business idea, a preliminary demonstration to verify the concrete potential of a concept, and gather more knowledge on a certain topic.
A PoC usually takes place early in the product/ service development process, after the idea and before fully committing to development. In general, the PoC doesn’t flesh out the whole idea, but rather the critical assumptions that undergird it.

While it is “easy” for startups to define and launch a PoC, the same can not be said for a structured company. Larger companies operate with a vast

number of constraints related to structure, culture, risk aversion, and internal processes, just to name a few.

Nevertheless, **companies jumped on the PoC train, often mistakenly labeling something else as a PoC, and coming to the conclusion that PoCs do not work outside of the startup environment**. Instead of jumping to conclusions, organizations need to balance several key aspects to implement the PoC approach, often distorting the concepts that underpin the value of PoC.

Based on our experience and the insights **we gathered through the interviews, we identified some key elements where this balance has compromised the overall value of PoCs**.

1 — THE NUMBER AND EFFORT OF POCS PERFORMED

Since the PoC is a fast and structured means to increase the level of knowledge on a specific topic and thus reduce future investment risk and get relevant learnings, it is essential to guarantee the level of effort, as defined in the initial strategy, is put into each of them.

Companies should handle **PoCs with a portfolio approach**: investing in a small number of PoCs reduces the chance of identifying the right opportunities and companies should maintain a high number of not-too-costly PoCs in the initial phase of the funnel. Instead of reducing the number of PoCs to force more focus on fewer activities, it is more functional to reduce the scope of the PoCs, in order to gather relevant information earlier and thus filter out the unsuccessful PoCs.

2 — THE DECISION-MAKING PROCESS AND CLEAR GOVERNANCE IN GENERAL

PoCs need to move fast and to do so, they need agility and a clear decision-making process.

Innovative work methodologies would need to be supported by innovative governance systems.

Companies that are successfully implementing PoCs defined a governance structure that best fit their culture and met the need for agile decision-making. Mostly, they set up some sort of small group of corporate leaders with different backgrounds, that meets on a regular basis and analyzes future opportunities and the results of ongoing PoCs. The group is responsible for maintaining a strong fit between the scope of the PoCs and the corporate strategy, analyzing KPIs, and ultimately deciding which PoCs move to the next stage and which don't.

3 — A DATA-DRIVEN APPROACH TO ANALYZE AND DECIDE ON WHICH POC INITIATIVES TO PURSUE AND WHICH TO CLOSE:

PoCs can be a tool to help eliminate hierarchical aspects of decision-making. It can eliminate the risk of falling in love with an idea, and it can also eliminate the risk of pursuing ideas simply because they were conceived by a top executive.

A GLIMPSE FROM THE MARKET

Grupo Ageas Portugal, the Portuguese branch of the large insurance Ageas Group, initiated and executed **INsure**[3], an **Open Innovation program aimed at developing and validating innovative solutions**. Ageas INsure is structured into five core stages: identifying opportunity areas, issuing a call for startups, evaluating and selecting startups, implementing Proof of Concepts, and pursuing integration opportunities.
The entire program lasts approximately 12 months and has become a **recurring initiative within Grupo Ageas Portugal, involving numerous internal stakeholders**, ranging from c-level executives with decision-making authority to key representatives of the business.

Ageas INsure stands out as a best-in-class example, both in its structure and its outcomes. Firstly, the **program's governance facilitates a streamlined decision-making process**. The innovation team, supported by external experts, oversees the entire program's design and coordination, serving as the central point of contact for all stakeholders within and outside Ageas. Simultaneously, the **business actively participates** throughout the entire journey. Representatives from nearly every business unit contribute with ideas and business priorities to shape the Programs' Challenges, and then play active roles in the PoCs. Conversely, **c-level executives are involved in key approval stages** of the process, such as helping select startups and make preliminary go/no-go decisions regarding further collaboration at the conclusion of the PoCs. This approach ensures appropriate internal sponsorship and stakeholder engagement.

The innovation team at Grupo Ageas Portugal is effectively cultivating a **robust internal risk culture**. They have implemented various internal communication initiatives to keep stakeholders informed about INsure over time, such as posting updates on the company intranet, and maintaining

3 One of the author of this report (MAIZE) supported Grupo Ageas Portugal in the design of INsure

continuous engagement through one-to-one interactions. INsure actively embraces risk culture, typically launching around five PoCs in each edition. Notably, not all of the five selected PoCs progress to the next step (partnership, acquisition, etc.), demonstrating that Ageas stakeholders fully grasp the PoC de-risking logic.

To **mitigate potential subjective decision-making biases**, all PoCs undergo thorough examination using a **data-driven approach**. Each PoC is managed by a team comprising a representative from the innovation team, one or more business stakeholders, and the startup involved. This diverse team gathers both qualitative and often quantitative evidence to inform the final go/no-go decision. Specifically, tech-focused PoCs consistently incorporate quantitative data, while non-tech PoCs may rely on qualitative insights, such as user or agent interviews.

In summary, Ageas INsure serves as a successful model for PoC methodology, where the innovation team fosters internal trust and engagement in risk culture, and PoCs serve as valuable tools for exploring and validating innovative concepts.

THE GIST OF IT

The PoC remains a **robust testing, learning, and de-risking tool** that enables companies to analyze development scenarios effectively and provides a significant competitive edge. **Companies should not abandon them but rather cultivate the discipline to execute them effectively**. Finding the right balance involves adapting the approach to suit the context of a large company while maintaining the integrity of the PoC process. In essence, achieving balance entails addressing various aspects.

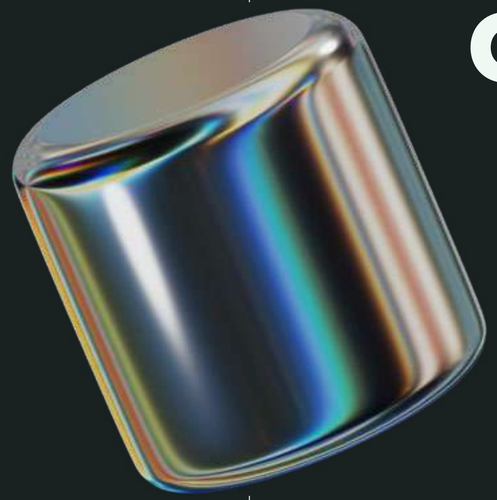
Firstly, **companies must maintain a substantial number of PoCs** in progress, thinking in terms of portfolio logic to evaluate different paths dynamically. This necessitates a serious and comprehensive approach to overall governance and decision-making processes. Secondly, a **portfolio perspective demands swift action**, achievable only through **C-level engagement and clear governance structures that eliminate ambiguity** in decision-making.

Some PoC managers enjoy autonomy in execution but may involve a broader group of decision-makers when necessary.

Lastly, companies must **leverage data-driven decisions generated by PoCs** to inform their strategies. Analyzing market data empowers companies to make **objective decisions, bypassing political or hierarchical biases** in determining which PoCs to pursue or halt.

3

ARE WE USING THE APPROPRIATE CRITERIA TO GAUGE INNOVATION INITIATIVES?



3

IN A NUTSHELL

Companies commonly tend to frame the benefits of innovation initiatives within the financial context, employing short-term KPIs to directly or indirectly gauge the economic impact within the company. This approach risks missing out on valuable innovative projects that could provide benefits beyond financial metrics. Hence, a broader spectrum of KPIs must be implemented by companies to capture the diverse and manifold benefits achievable through innovation initiatives.

RESEARCH INSIGHTS

WHAT HAVE WE GATHERED FROM OUR CONVERSATIONS?

1

Interviewees provided different definitions of what innovation means inside their company:

- the development of cutting-edge products and services
- implementation of high-performance processes
- establishment of a vibrant work environment
- alignment with current needs such as sustainability.

2

“THINKING THAT YOU CAN GENERATE SHORT-TERM BENEFITS THROUGH INNOVATION PROJECTS IS JUST SCIENCE FICTION.”

While the definition of an innovative company is evidently conceived differently from company to company, **most business leaders agree on one common point**: Innovation projects typically yield benefits over the medium to long term, as they involve the creation of novel solutions or products from scratch. This process necessitates dedicated incubation and development phases before profitability can be attained.

3

“THE ONLY KPIS THAT MAKE SENSE TO MONITOR ARE ONLY THOSE RELATED TO THE FINANCIAL SPHERE.”

Companies employ **KPIs that primarily measure the economic impact of innovation** on their companies: this makes it evident that many of them predominantly view innovation benefits through a financial lens. Common metrics used to evaluate innovative initiatives include:

- **innovation magnitude**, which assesses the financial contribution of successful ideas;
- **innovation success rate**, which measures the ratio of successful ideas to total ideas explored.

4

“NON-FINANCIAL KPIS ARE ONLY USEFUL FOR DOING INNOVATION THEATER.”

The majority of the interviewed companies considers **non-financial KPIs** (e.g. people engagement, learning, etc.) **are considered as examples of “innovation theater”** meaning that in most cases, they are used for showmanship rather than demonstrating tangible results. This is why they are shown during plenary events, but not used in decision-making meetings.

5

In numerous instances, even if financial KPIs are employed, **there is a lack of a pre-established and validated KPIs framework** for assessing innovation initiatives. Consequently, each decision-making instance prompts the formulation of KPIs, which are not contingent upon the developmental stage of the idea.

OUR POINT OF VIEW

We see the primary motivations behind the financial-centric approach to measuring innovation benefits as:

- Pressure from boards and shareholders, who prioritize economic and financial goals, emphasizing the need for innovation to yield swift and discernible returns;
- C-level executives being compelled to showcase tangible, immediate, easily measurable value to demonstrate their managerial capabilities, particularly before the end of their term in office;
- The substantial investment required for innovation necessitating identifying initiatives that optimize economic performance and deliver returns.

Still, we believe that restricting the measurement of innovation solely to its financial sphere, trying to force it into showing the almost-impossible

short-term financial results, could be myopic as there is a considerable risk of discarding promising innovative projects which would have unfolded their value only in the medium-long term.

When executed effectively, innovation programs and launching initiatives can yield **both short- and long-term benefits as they are inherently interconnected**, their nature may be different, and the challenge for companies is to know how to identify them.

Long-term advantages are intricately linked to short-term benefits, as innovation is a gradual process **built over time**, rather than a sudden occurrence. The immediate gains achieved through **short-term innovation lay the foundation for sustained, lasting success in the long run, even if not merely financial**. These two facets of innovation complement each other, forming a symbiotic relationship where the advancements made today contribute significantly to the enduring impact and transformative potential of innovations over time. **Recognizing and nurturing this strong connection is pivotal for organizations aiming to cultivate adaptation to the pace of innovation**.

This is the reason why we strongly highlight the critical importance of identifying, measuring, and providing visibility to the more immediate benefits stemming from innovation initiatives, even if they are not strictly financial and easily calculable. In fact, these immediate gains serve as the bedrock upon which a company can strategically build its future value.

Outlined below are the key short-term and non-financial **benefits that come from an innovation program or initiative**.

1 — RESILIENT ORGANIZATION

Participating in innovation projects serves as a significant learning opportunity for employees, providing a platform to navigate **high unpredictability and contexts with numerous unknowns** as well as to **learn how to set up and make new commercial partnerships or startup acquisitions work**. This dynamic environment not only facilitates the acquisition of new technical skills but, more importantly, enables individuals to adopt a more **open, flexible, explorative, and creative approach to work**, and it equips them with invaluable experience in **handling intricate tasks** and making decisive managerial decisions.

Overall, the development of these skills **goes beyond individual growth**; it enhances the **resilience of the whole organization** enabling it to respond adeptly and adapt to evolving market dynamics. **By building a workforce capable of navigating complexity effectively, the organization positions itself to thrive amidst uncertainties and achieve its strategic goals**.

2 — EMPOWERED ORGANIZATION

Empowering individuals to actively participate in a company's innovation process extends far beyond the individual level; it fosters a collective commitment that resonates throughout the entire organization. This commitment, in turn, becomes a driving force behind achieving the business results and objectives of the company.

By cultivating a culture where every member of the organization is encouraged and equipped (with proper tools, resources, time, and endorsement) to contribute to the creation and management of innovation projects, companies are transforming into empowered organizations. By genuinely enabling widespread participation, companies **tap into a diverse pool of perspectives, skills, and insights**. This democratization of innovation aligns the workforce with the company's vision, **instilling a sense of purpose and shared ownership** that transcends hierarchical boundaries.

This approach recognizes that **engagement, collective intelligence, and creativity of the entire workforce** are indispensable assets in navigating the complexities of today's

dynamic business landscape. However, for this transformative shift to be real, it requires creating a supportive environment, a space of freedom, coupled with appropriate training and resources.

The journey toward becoming an empowered and resilient organization is an ongoing process, and innovation leaders ought to capture and communicate their impact on **the changing environment**. Several key areas can prove instrumental in monitoring progress, including the **level of engagement and ownership in innovation projects** within the organization, the **influence or "contamination" from external entities** like startups, accelerators, and incubators, and the **cross-pollination among diverse business units**. Companies can also look into the **impacts on people's skills** assessed before and after the projects, for instance, and possibly **stimulate a retrospective** of the participating teams.

3 — BRAND POSITIONING

There's also the ability to attract and retain talent. The rationale behind this lies in the fact that the most talented within a company often harbor **aspirations to be catalysts of change**. When an organization provides them with opportunities to take on the role of change protagonists, it not only taps into their individual potential but also fosters an environment where their skills and creativity flourish.

To achieve this, organizations must provide a platform, such as innovation programs, where the most talented individuals can express themselves and assume the pivotal role of change protagonists. This resonates with the findings from our research, Generation Debate, which explores the viewpoints of different generations on the evolving world of work highlights a growing inclination among employees to actively want to contribute to and influence change.

In essence, by embracing the insights and aspirations of their workforce, companies not only fulfill the expectations of their employees but also position themselves as dynamic entities

capable of navigating and thriving in the evolving landscape of work.

ABILITY TO ATTRACT DIVERSE BUSINESS PARTNERS:
The commitment to innovation functions as a magnetic force, drawing a diverse array of business partners. In their continuous pursuit of growth and competitiveness, companies actively seek partners who align with this commitment. This quest is driven by the understanding that successful collaborations depend on the ability to inspire trust and reliability.

In the dynamic landscape of constant change, the commitment to innovation becomes a crucial differentiator. Organizations prioritizing staying at the forefront of advancements naturally attract like-minded partners. Beyond the pursuit of innovative solutions, there is also a parallel search for collaborators who embody reliability.

A GLIMPSE FROM THE MARKET

Often hailed as an innovation powerhouse, 3M's significance in the field of corporate innovation lies not only in the serendipitous invention of Post-It Notes, but also in a **solid strategy for sustaining innovation**. Through its ecosystem of initiatives, 3M is working to provide practical answers to the questions of how to create spaces for employees to pursue new opportunities, **how to foster innovation projects that look to the longer term, and how to encourage resourcefulness and initiative**.

In terms of spaces for employees to pursue opportunities, 3M has created a variety of centers and forums: **Scientists share knowledge and build relationships at the Technical Council**, which meets regularly to discuss progress on technology projects, and the **Technical Forum**, an internal professional society where 3M scientists present papers. **Customers also visit innovation centers** set up specifically to explore opportunities, solve problems and generate product ideas.

A critical balance at 3M is between the present and the future. Quarterly results are important, but they should not be the sole focus. **The Thirty Percent Rule**[4] **requires that 30 percent of each division's sales come from products introduced in the past four years**. This is rigorously tracked, and employee bonuses are based on successful achievement of this goal. **3M has also created a three-tiered research structure**. Each research area has a unique focus: business unit labs focus on specific markets with near-term products; sector labs focus on applications with a 3- to 10-year time horizon; and corporate labs focus on basic research with a 20-year time horizon.

Finally, 3M has created systems, structures and work environments that encourage an entrepreneurial spirit. Its **Seed Capital program allows investors to request seed capital from their business unit managers**; if their request is denied, they can seek funding from other business units. To launch new

4 HBR article "The Innovation Mindset in Action: 3M Corporation"

ventures, **product inventors must recruit their own teams**, taking advantage of 3M's many networking forums to find the right people for the job. Recruits have the opportunity to evaluate the inventor's track record before signing on. However, **if the product fails, everyone is guaranteed their previous job**. In addition, 3M has adopted a dual-career ladder approach: scientists can move up the ladder without becoming managers. As a result, 3M doesn't lose good scientists and engineers only to gain bad managers.

THE GIST OF IT

Based on our research findings, it is evident that **innovation** possesses the capacity to yield robust and pertinent **benefits even in the short term**. These include enhancing a company's resilience, creating empowered organizations, and fortifying the market positioning. Then, measuring the performance of innovation initiatives solely through short-term financial KPIs risks overlooking other significant benefits that they can bring to the entire organization, benefits that lay the foundation for sustained, lasting company success in the long term.

4

IS CORPORATE INNOVATION SUSTAINABLE?

4

IN A NUTSHELL

Organizations understand the importance of **sustainability** and are actively integrating it into their **strategic priorities**. However, only a **limited number** thoroughly assess the **sustainability implications of their innovation initiatives**. Most do not measure the systemic impact of innovation initiatives in terms of sustainability, especially when looking at the medium-long term. This situation is reflected in the companies' governance which, in the majority of cases, fails to effectively foster **collaboration between the innovation and sustainability teams**.

RESEARCH INSIGHTS

WHAT HAVE WE GATHERED FROM OUR CONVERSATIONS?

1

“EVEN IF SUSTAINABILITY IS ONE OF OUR THREE STRATEGIC PILLARS, WE HAVE NOT ACTIVATED MANY PROJECTS YET. OUR BUSINESS MODEL IS NOT VERY SUITED FOR CARRYING OUT SUSTAINABILITY INITIATIVES.”

The majority of the interviewed companies considers **sustainability a priority** for the organization. There are many internal conversations, and sustainability is often perceived as a “new” strategic objective. However, on a general level, most of the companies are still at the **very beginning of their sustainability journey**.

2

“WE RELIED ON EXTERNAL CONSULTANTS FOR THE TRANSITION TO B CORPORATION WITH THE AMBITION TO ACHIEVE IT THIS YEAR.”

Almost all the interviewed companies are running **activities of sustainability compliance**, either for regulatory constraints or image and positioning purposes. They are currently building their internal sustainability teams and **vertical expertise heavily relying on external experts/ consultants to guide their transition**.

3

“FOR US (ENERGY COMPANY), INNOVATION IS PART OF THE CORE BUSINESS. SPEAKING AND DEALING WITH SUSTAINABILITY IS MANDATORY.”

Industry, size, and level of maturity of companies are the factors influencing their **approach to tackling sustainability**. Product companies show a strong focus on the physical product and its environmental impacts (e.g. emissions reduction), while companies with intangible products or services are often faster in focusing on the social areas of ESG too (e.g. access to capital to poor/low-income individuals).

4

“SOMETIMES I FEAR WE ARE USING THE WORD SUSTAINABILITY AS A BUZZWORD.”

Few companies mentioned that they see the **risk of greenwashing** behaviors both internally and looking at other companies.

5

“EVEN IF WE ARE INVESTING IN ESG INITIATIVES, THERE ARE NO BIG SYNERGIES BETWEEN THE SUSTAINABILITY AND INNOVATION TEAMS.”

The **interactions between sustainability and innovation teams are quite heterogeneous** among companies: in the **most mature** ones, the two teams **jointly design the strategic agenda**; in others, they sporadically work together (e.g. the innovation team provides tools and guidance); in the more extreme cases, **sustainability still needs to become a real priority** and the innovation team operates disconnected from sustainability issues.

6

Few of the interviewees highlighted that, being sustainability a global objective, companies should act in a **systemic way**. This mainly translates into **open innovation programs** led jointly by the innovation and sustainability teams.

7

Companies more advanced in terms of sustainability, even if they represent the minority, move even beyond the ESG paradigm referring to **innovation** as a **key sustainability enabler**. Innovation becomes the means to discover new opportunities and bring growth and value to the whole organization.

OUR POINT OF VIEW

The times when sustainability coincided with a few brave Greenpeace activists trying to stop whale hunting, making us feel guilty for looking away, are long gone. In the meantime, we had the UN's SDGs, Greta Thunberg, and countless other initiatives: as **individuals**, we have all developed an **awareness** of environmental problems, eventually understanding their connection with social and governance issues, leading to the shaping of our individual positions on the topic.

Governments have been doing their share, working on the construction of **regulatory environments** and accelerating access to both technology and fundings.

But beyond our individual contribution, **most of the enacting of the transition falls onto companies**: large, fragmented, and geographically dispersed stakeholders, getting pressured internally and from both

consumers and communities, as well as regulators. They are the real engine of the sustainable transformation, responsible for converting national and international sustainability agreements into concrete actions, developing new sustainable solutions, and radically changing processes on all 3 of the ESG dimensions.

As individuals have by now slowly interiorized the concept of sustainability, the turn of business has arrived: businesses, too, are starting to look at a **sustainability-driven strategy** not as a competing alternative to economic value, but on the contrary, as a **way to build a more resilient business**, way beyond just enabling ESG practices.

Our experience confirms that new benefits created by sustainability imperatives exist and meet the needs of **“new” stakeholders** such as society or the planet, which stand next to one firm’s chosen stakeholders.

Even if the research highlights a heterogeneous situation among organizations, our experience suggests that **best-in-class companies** integrate **sustainability directly in their strategy**, not making it only a matter of compliance but rather having their C-level executives re-answer the core business questions using a sustainability filter and consequently pushing key business functions, innovation in the first place, to insert it in their agenda and activities.

“WHO ARE BUSINESSES REALLY RESPONSIBLE TO? THEIR CUSTOMERS? SHAREHOLDERS? EMPLOYEES? WE WOULD ARGUE THAT IT’S NONE OF THE ABOVE. FUNDAMENTALLY, BUSINESSES ARE RESPONSIBLE TO THEIR RESOURCE BASE. WITHOUT A HEALTHY ENVIRONMENT THERE ARE NO SHAREHOLDERS, NO EMPLOYEES, NO CUSTOMERS, AND NO BUSINESS.”

Yvon Chouinard, Patagonia founder and former CEO

From our perspective, innovation as it was conceived yesterday is not sustainable. There are two components to it:

- Often innovation is a claim of modernist injunction: to stay in the loop, to go forward, to add. It suggests separating yourself from what has been done and creating something new and disruptive. In a **world of finite resources**, this vision of **innovation** becomes **unsustainable**. Then how can innovation teams (and resources) ideate and activate sustainable innovation?

- In the last decade, innovation inside companies started with a bunch of guys coming in and breaking things; this was needed to shake the status quo and set businesses in motion. But as companies evolve their understanding of innovation, the **era of general, multi-purpose innovation for the sake of innovation is over**. The scope is becoming narrower or, better, more vertical and defined: products, processes and efficiency, data, and new technologies (with GenAI being the undisputed star), and indeed **innovation as a driver for sustainability**.

Considering that innovation doesn't happen in a controlled environment, regardless of the level of sustainability-maturity of a company (especially true in the less evolved ones!), innovation teams have to take over the duty to **anticipate the systemic impact of an innovation initiative**, including the definition of how sustainable it is. The innovation team, if nobody else, should apply an ESG-holistic, strategic thinking to the company's projects.
As an example, rather than looking for brand-new solutions, start mapping the company's ecosystems or think about e.g. circular alternatives: what could be reused, returned, and recycled, rather than brainstorming about new tech-centered solutions.

From an organizational point of view, **companies more advanced in their sustainability efforts** and successful cases from the research showed us that an **ownership of sustainability spread across the company is the best performer**: a generally lean sustainability team defines the strategic priorities and coordinates the work of the other corporate functions across the organization.
Then, **innovation and sustainability** resources **work hand-in-hand**, sharing both strategic priorities and part of the operational activities.

A GLIMPSE FROM THE MARKET

Best known for its hand-embroidered t-shirts, MELIDÉ[5] is a women-owned business with a commitment to **sustainability, ethical production, and a flat organizational structure**. It represents an inspiring example of a sustainable organization both because it tackles all 3 ESG areas, and because innovation and sustainability grow hand-in-hand together with the business.

From an **environmental** standpoint, MELIDÉ promotes a philosophy of **conscious dressing, emphasizing artisanal quality and timeless garment design**. The products are the result of extensive research into sustainable materials and innovative design, utilizing a short supply chain and eco-friendly materials such as deadstock fabrics.

MELIDÉ also supports social sustainability by creating **collections that are trend-resistant**, with interchangeable pieces that encourage consumers to move away from impulse buying. They are not just products, but representations of the team's identity and values.

Finally, MELIDÉ challenges traditional **governance** rules continuously evolving based on the principles of **fairness, horizontal structure, respect**, and of course sustainability. The company's organizational structure is distinctive, with interchangeable roles and shared responsibilities that embody a truly flat hierarchy (i.e. salaries increase only if all the employees can benefit from it).

MELIDÉ is a niche reality, born from different pillars than big organizations. Nevertheless, they show that sustainable, people-centered companies can exist and can evolve traditional business models thanks to continuous innovation (of products, services, and organizational structure).

5 Insights coming from an interview with MELIDÉ core team

THE GIST OF IT

Even if innovation activities boost change within one organization, our research unveiled that only in the most advanced companies do the innovation and sustainability teams work synergistically. On the contrary, as sustainability is one of the key objectives and drivers of the organization, all **innovation activities should be studied with sustainability lenses**.

The **goal for companies** should be to **anticipate the sustainability impact of their innovation initiatives** and move beyond the traditional ESG paradigm to discover **new growth opportunities through sustainability-driven innovation**.

THE SHAPE OF WATER

EXTRA: THE SHAPE OF WATER — INNOVATION IN THE ERA OF AI

IN A NUTSHELL

In the current technological landscape, **artificial intelligence** (AI) is a **transformative force**, redefining the foundations upon which businesses build and maintain their competitive edge. Amidst this tumultuous shift, a **critical reflection** emerges on the **role and effectiveness of the traditional innovation function** within organizations. Created with the objective of bringing change and progress, traditional innovation units, today faced with the rapid evolution of AI, appear outpaced, as real innovation is instead being driven by businesses able to recognize — and seize — the competitive edge brought by the technology's potential.

THE ELEPHANT IN THE ROOM: MORE INTELLIGENT MACHINES

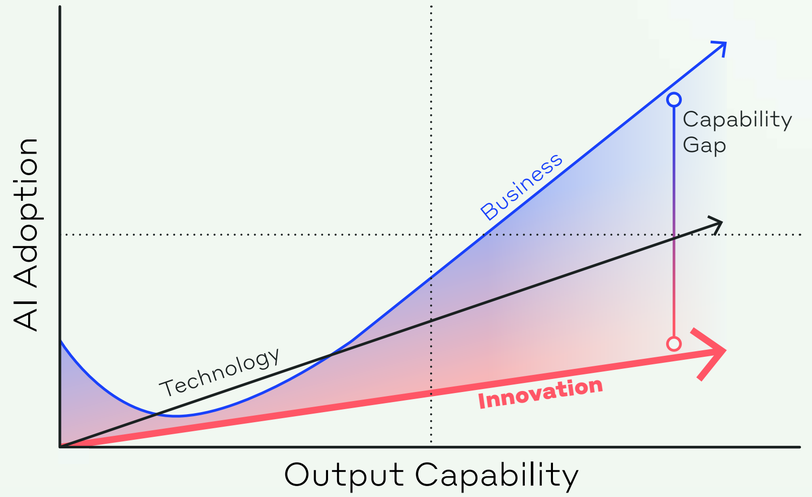
It is impossible to discuss the state of innovation without acknowledging the **elephant in the room**: AI, in its current iteration, which we have come to call **generative AI**. The emergence of language models such as OpenAI's GPT-4, Anthropic's Claude, Google's Gemini, and others has suddenly revolutionized a field that seemed to be progressing more slowly than its ambitions for the past 70 years. Large language models (LLMs) have abruptly shown us the potential of reasoning machines, something we had never seen before. Without falling into excessive techno-optimism, we must acknowledge a genuine **turning point in the discipline**, characterized precisely by language and reasoning. Multimodal models, like **GPT-4 and Gemini**, are no longer limited to recognizing patterns and regularities in data, they have now become capable of **supporting humans in exploration, analysis, and meaning extraction from conversations**, exhibiting a surprising understanding of the data they are exposed to, although sometimes still unexpectedly superficial and fragile.

A NEW HYPOTHESIS FOR CORPORATE INNOVATION

As strategic design companies operating in the innovation arena, we have been guiding organizations of various sizes and industries for over 15 years to establish, enhance, and implement their innovation strategies. The **AI tsunami** we are witnessing is overturning established corporate beliefs, roadmaps, priorities, and industrial plans, pushing organizations to **rethink** their **role and the potential of innovation**.

If we explore the types of conversations we've had with our clients over the last year, most of them haven't even been with the innovation functions. Most conversations happened directly with business functions and if not them directly, then, with CTOs or CIOs. Most AI projects sold last year were sought after and bought directly by business (in collaboration withIT), and that puts us in front of an interesting **hypothesis, "has GenAI and its potential managed to overtake and leave the innovation functions behind?"**

In other words, it seems that in the face of such radically disruptive technology, in many cases, innovation functions embedded as organizational units are **"struggling" to respond with speed and a clear and strategic roadmap to this change**. Faced with this struggle, organizations, particularly business and technology functions that have people and substantial budgets, have simply "done it themselves."



MAIZE adaptation from EY article "How Gen AI governance framework can help build trust in tomorrow's tech"

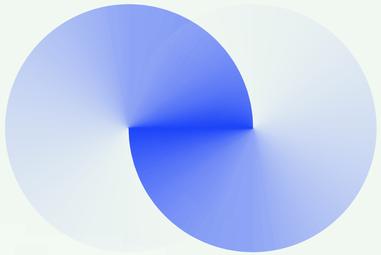
OLD INNOVATION IN A NEW SCENARIO

This hypothesis might seem bold, but let's explore it further. If we look at the two extreme macro archetypes of innovation models and structures within organizations, we can observe that:

- The first archetype is the one that managed over the years to seed innovation ambassadors with an inventive mindset throughout the organization for them to directly identify potential, explore, pioneer, and experiment within their own vertical domain.

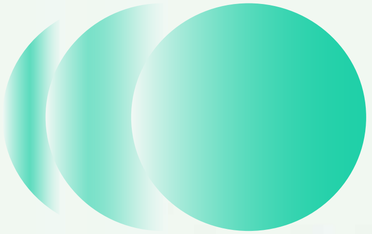
- The second archetype followed a more centralized experimental path looking to educate and generate transformative opportunities on a smaller scale and with very specific applications.

From our experience, companies that adopted the first archetype years back are more ready to embrace and scale emerging opportunities (such as gen AI), identifying not only the business value but also having the levers (people, budget, and use cases) for potential industrialization. The arrival of AI and its direct escalation of radical change in the innovation cycle obviously requires a different approach because AI is not "just a technology." We have to take into account some specific characteristics of AI such as:



GENERALITY

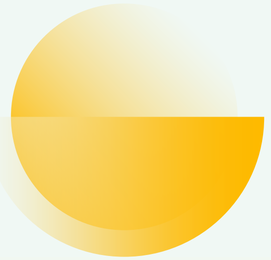
AI's ambition is to create intelligent machines in a general sense. With the arrival of large language or multimodal models, we have observed a radical shift from traditional AI solutions. Gen AI models are not trained for a specific purpose and indeed manifest "unexpected", emergent capabilities: no one trained GPT-4 to translate or solve quizzes, yet it is able to(often very well).



SPEED

This generation of AI exhibits incredible speed. We are talking about the speed of evolution (look at the videos created by OpenAI's frontier model SORA), but also adoption speed: ChatGPT took just a few days to reach 1M users, Microsoft made copilots accessible to all Office365 users within a few months, which are about 345 million (paying users)[6], half of all personal productivity software users. This speed is impressive, especially when combined with the trajectory toward generality mentioned above.

6 Microsoft blog "Office 365 Reaches 345 Million Paid Seats"



SIMPLICITY AND EASE OF USE

Language is the key. It's as if we've suddenly glimpsed what happens in a world where Samantha from the movie Her exists. A world in which, simply by speaking, we can interact with the entire digital (and perhaps even physical) universe. We can ask for anything, satisfy any informational need, and create any text, image, or sound: we just need to know how to ask. A genie lamp for everyone: no technology has ever been so easy to use.

INTELLIGENCE

This is the big thing, and the usual qualifications about what intelligence is, how complex and articulated it is, apply: these machines are not intelligent like humans (or cats or bees), but we must observe that these architectures are likely expressive enough for sophisticated internal structure to emerge with scale and diverse training data. These machines speak, reason, and create coherent images and videos: we might not call it intelligence, but we cannot ignore these phenomena. And remain surprised almost every time.

THIS IS THE CHALLENGE, A NEW CHALLENGE.

HOW SHOULD WE REACT, AND DIRECT THE TRAJECTORY OF INNOVATION INSIDE ORGANIZATIONS?

THE DILEMMA OF TRADITIONAL INNOVATION

Historically, the **innovation function** has been seen as the **engine of progress and competitive differentiation** within companies. However, the advent and **rise of AI have highlighted significant limitations** in this approach. AI, with its capabilities for autonomous learning, language competence, and task automation, requires an adoption speed and adaptability that often surpass the structures and processes of the traditional innovation function.

This is why we have witnessed a **transformation** led primarily by business necessities and emerging technological opportunities: **business** units, with their proximity to the market, customers, and competition, are in a privileged position to identify AI applications that can generate the most added value. Simultaneously, **IT and technological departments**, with their expertise and vision of new technologies, become essential catalysts in integrating AI into business operations.

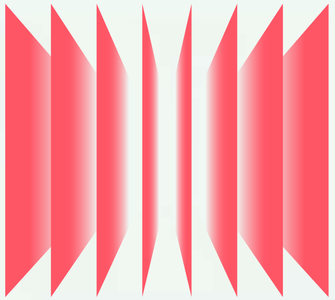
Faced with this reality, the **traditional innovation function** finds itself at a **crossroads**. On one hand, its **existence as a separate entity risks becoming an anachronism**, incapable of keeping pace with rapid technological evolutions and the increasingly pressing needs of the business. **On the other hand**, completely abandoning this function would mean **losing** not only the **potential of rapidly incubating innovative ideas and solutions, but also that innovative "mindset"** that is so distinct and characteristic of those

experts who engage in it daily and are so needed for making time to market impact.

The challenge, then, is to rethink the role of the innovation function in a way that can effectively contribute to the AI-driven transformation, both directly and indirectly. **This could mean a closer integration between innovation, business, and technology with the innovation function acting as a facilitator and coordinator of cross-functional initiatives**. Such a configuration would leverage the deep market knowledge and customer proximity of the business, alongside the technological competence of IT departments, enriched with the strategic vision and experimental approach typical of innovation. Only through such renewal can the innovation function overcome the challenge posed by AI and actively contribute to business transformation in the digital age. **The era of "retail", tick-the-box, small-scale innovation is over**.

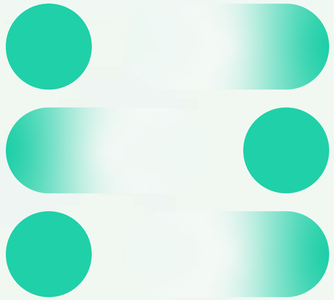
LOOKING FORWARD

Let's celebrate change and progress! This transformative period allows for the challenging of long-held assumptions, the leveraging of expert opinions, the development of future-oriented scenarios with tangible metrics, the democratization and harnessing of data-driven insights, and the proposition of radical ideas that could redefine industries. Integrating these is imperative.



CHALLENGE ASSUMPTIONS

The first step in embracing this opportunity is to question the status quo. Organizations must critically assess their existing business models, processes, and strategies to identify where assumptions and drivers about market stability, customer behavior, and competitive landscapes may no longer hold true in the face of AI's capabilities. This involves a willingness to reconsider every aspect of operations through the lens of what AI makes possible, from product development to customer service. In this case, AI can be used to generate growth assumptions, design experiments for validation, simulate user feedback, act as a governing project planner, and identify risks.



CONNECT WITH EXPERT OPINIONS

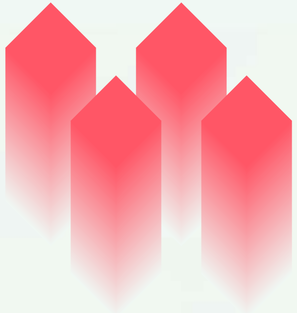
As AI continues to evolve, staying informed and connected with leading thinkers in the field becomes crucial. Organizations should seek to build relationships with AI researchers, industry analysts, and thought leaders to gain insights into emerging trends, potential applications, and ethical considerations. This network of expertise can provide valuable guidance as companies navigate the complexities of integrating AI into their strategic planning.

DEVELOP SCENARIOS AND METRICS

Understanding the potential impact of AI requires a structured approach to scenario planning. Organizations should develop a range of possible futures, from the incremental to the transformative, that AI could bring about in their industry. For each scenario, defining specific, measurable metrics will enable the tracking of progress and the assessment of impact. This forward-looking approach helps organizations prepare for multiple outcomes, making them more resilient and adaptable.

DATA-DRIVEN INSIGHTS

The power of AI to process and analyze vast and varied amounts of data at unprecedented speeds offers organizations new ways to uncover insights and make informed decisions. Combining data from various sources and domain experts (quantitative and qualitative). By leveraging AI for data analytics, companies can identify patterns, trends, and opportunities and immediately generate new validation assumptions to develop scenarios. This capability allows for more nuanced and structured decision-making.



PROPOSE RADICAL IDEAS

Finally, the arrival of intelligent machines encourages organizations to think boldly. With the constraints of traditional processes and limitations of human cognition being redefined by AI, companies have the freedom to propose and pursue radical ideas that could lead to disruptive innovations. Whether it's developing new business models, creating novel products and services, or reimagining customer experiences, the goal is to leverage AI not just for incremental improvements but for groundbreaking change.

The arrival of AI challenges companies to not only reimagine their strategies but to fundamentally alter their operational DNA. This is not the time for half measures or the faint-hearted. In this context, the role of the innovation function within organizations is more critical than ever. Innovation today has the opportunity to turn into a collaborative dynamic force that drives strategic transformation. It becomes a complimentary partner for business-driven initiatives that must be led with speed, autonomy, and understanding of technology.

As we navigate this uncharted territory, one thing is certain: the businesses that will emerge as leaders in the intelligent machine age are those that view this technological tsunami not as a threat but as the ultimate catalyst for change and know how to leverage internal talent to scale. In the end, the measure of success in this new era will not be how well businesses adapted to AI, but how they harnessed it to transform themselves — and, by extension, the world around them.

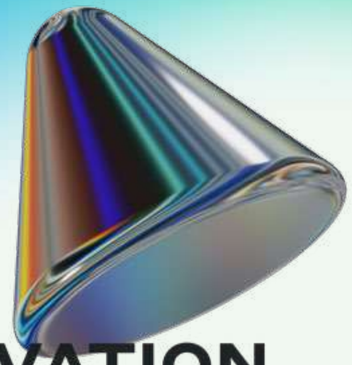
THE BIG PICTURE

AI will unquestionably have an **impact on the way we work**, and likely much further beyond. In a way, as we have shown, it already is. However, its nature is one of a wildly **unpredictable phenomenon**, which might either supercharge the innovation insights we have gathered or somehow flip the table on its head and make everything obsolete. It's something companies need to be on top of; a wave to **learn how to ride and not be drowned from**.

Still, this uncertainty can't be a reason to give up and preemptively reshape everything else. Indeed, it's worth going back to the four foundational questions that emerged during our research.

1

WHO IS THE INNOVATION TEAM?



2

ARE OUR POCS GENUINE, OR ARE WE JUST FOLLOWING CORPORATE NORMS?

3

ARE WE USING APPROPRIATE CRITERIA TO GAUGE INNOVATION INITATIVES? NORMS?

4

IS CORPORATE INNOVATION SUSTAINABLE?

COLOPHON

RESEARCH
Elena Pallotta
Margherita Pontisso
Marzia Giuditta Anelli
Carlo Maria Rinaldi
Giorgio Gentilini

Moritz Müller
Mira Schütze
Maximilian Maurer
Dr. Markus Pfeiffer

The research has been conducted together with Made by Many.

MADE BY MANY

REPORT
Editors
Moriella Kowalski
Vittorio Di Tomaso
Elena Pallotta
Giulia Pozzobon
Margherita Pontisso
Marzia Giuditta Anelli
Carlo Maria Rinaldi
Giorgio Gentilini
Ryslaine Moulay
Valentina Lunardi
Edoardo Maggio

Designers
Davide Mottes
Angela Testa

3D Artist
Biagio Miuccio

Editor-at-large
Tomas Barazza

PUBLISHER
MAIZE Srl
via Sile, 41
31056 Roncade (TV), Italy

Website
www.maize.io
Email
info@maize.io

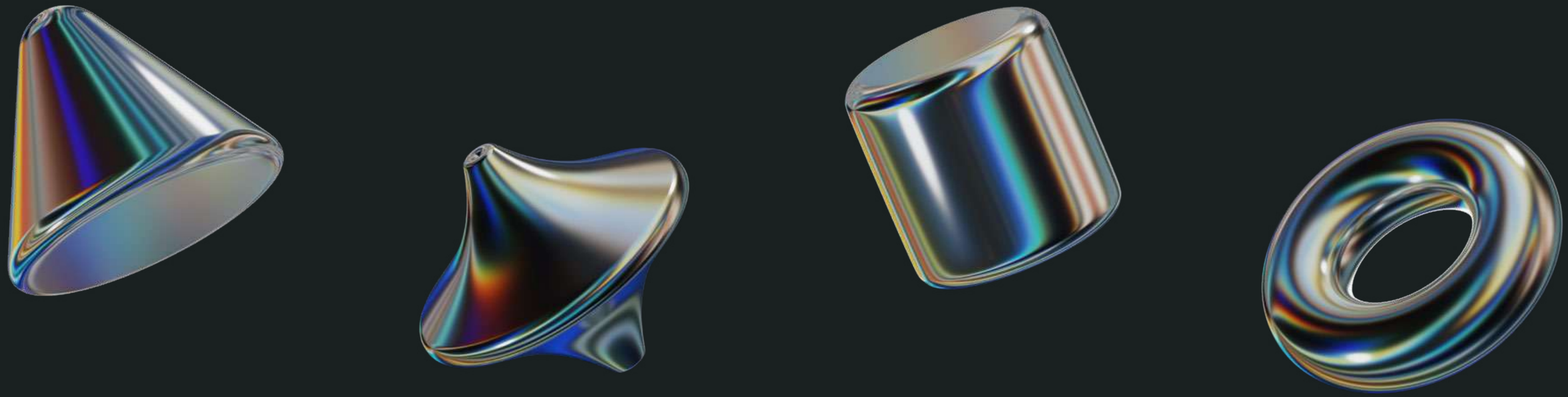
MAIZE grows in JAKALA

Bloom Partners GmbH
Prannerstr. 11, 80801 Munich, Germany

Email
info@bloom-partners.com

maize.

A JAKALA COMPANY



2024 STATE OF INNOVATION

BLOOM PARTNERS